

Mr. John Twitty, Controller  
Health Management Resources  
101 Grace Drive  
Easley, South Carolina 29640

Re: AC# 3-NUL-J7 – New Ellenton Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period January 27, 1997 through September 30, 1997. That report was used to set the rate covering the contract periods beginning January 27, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Mr. John Twitty, Controller  
Health Management Resources  
101 Grace Drive  
Easley, South Carolina 29640

Re: Draft Report – AC# 3-NUL-J7 – New Ellenton Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. Russell D. Chambers, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director  
Division of Home Health and Nursing Home Services  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-NUL-J7 – New Ellenton Nursing Center, Inc.

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. Russell D. Chambers, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Mr. Jeff Saxon  
Mr. Robert M. Kerr



**NEW ELLENTON NURSING CENTER, INC.**

**NEW ELLENTON, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING JANUARY 27, 1997  
AC# 3-NUL-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 12, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with New Ellenton Nursing Center, Inc. for the contract periods beginning January 27, 1997, and for the nine month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by New Ellenton Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and New Ellenton Nursing Center, Inc. dated as of January 1, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 12, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor



**NEW ELLENTON NURSING CENTER, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning January 27, 1997  
AC# 3-NUL-J7

	01/27/97 <u>07/31/97</u>	08/01/97 <u>09/30/97</u>	10/01/97 <u>03/31/98</u>	04/01/98 <u>07/07/98</u>
Interim reimbursement rate (1)	\$91.19	\$92.79	\$94.33	\$94.33
Adjusted reimbursement rate	<u>88.59</u>	<u>90.07</u>	<u>91.64</u>	<u>91.64</u>
Decrease in reimbursement rate	\$ <u>2.60</u>	\$ <u>2.72</u>	\$ <u>2.69</u>	\$ <u>2.69</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**NEW ELLENTON NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods January 27, 1997 Through July 31, 1997  
AC# 3-NUL-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$1.78	\$42.09	\$43.87	\$42.09
Dietary	<u>.47</u>	<u>9.98</u>	<u>10.45</u>	<u>9.98</u>
Subtotal	<u>\$2.25</u>	52.07	54.32	52.07
Laundry/Housekeeping/Maint.	\$ -	7.90	7.17	7.17
Administration & Med. Records	<u>-</u>	<u>13.56</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	<u>\$</u>	73.53	<u>\$69.31</u>	67.06
<u>Costs Not Subject to Standards:</u>				
Utilities		2.66		2.66
Special Services		6.61		6.61
Medical Supplies & Oxygen		4.92		4.92
Taxes and Insurance		.78		.78
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$88.52</u>		82.05
Inflation Factor (N/A)				-
Cost of Capital				7.65
Cost of Capital Limitation				(3.11)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				2.25
Effect of \$1.75 Cap on Cost/Profit Incentives				(.50)
Minimum Wage Add-on				<u>.25</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$88.59</u>

**NEW ELLENTON NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period August 1, 1997 Through September 30, 1997  
AC# 3-NUL-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.07	\$40.35	\$43.87	\$40.35
Dietary	<u>.73</u>	<u>9.57</u>	<u>10.45</u>	<u>9.57</u>
Subtotal	<u>\$3.80</u>	49.92	54.32	49.92
Laundry/Housekeeping/Maint.	\$ -	7.57	7.17	7.17
Administration & Med. Records	<u>-</u>	<u>13.00</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	<u>\$ -</u>	70.49	<u>\$69.31</u>	64.91
<u>Costs Not Subject to Standards:</u>				
Utilities		2.55		2.55
Special Services		6.62		6.62
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.75		.75
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$85.21</u>		79.63
Inflation Factor (4.90%)				3.90
Cost of Capital				7.34
Cost of Capital Limitation				(2.80)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				3.80
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.05)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$90.07</u>

**NEW ELLENTON NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1997 Through March 31, 1998  
AC# 3-NUL-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.35	\$51.03	
Dietary		9.57	10.55	
Laundry/Housekeeping/Maint.		<u>7.57</u>	<u>7.53</u>	
Subtotal	<u>\$4.84</u>	57.49	69.11	\$ 57.49
Administration & Med. Records	<u>\$ -</u>	<u>13.00</u>	<u>9.06</u>	<u>9.06</u>
Subtotal		70.49	<u>\$78.17</u>	66.55
<u>Costs Not Subject to Standards:</u>				
Utilities		2.55		2.55
Special Services		6.62		6.62
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.75		.75
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$85.21</u>		81.27
Inflation Factor (4.40%)				3.58
Cost of Capital				7.54
Cost of Capital Limitation				(3.00)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				4.84
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.09)
Minimum Wage Add-On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$91.64</u>

**NEW ELLENTON NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1998 Through July 7, 1998  
AC# 3-NUL-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$40.35	\$47.70	
Dietary		9.57	10.55	
Laundry/Housekeeping/Maint.		<u>7.57</u>	<u>7.53</u>	
Subtotal	<u>\$4.60</u>	57.49	65.78	\$57.49
Administration & Med. Records	<u>\$ -</u>	<u>13.00</u>	<u>9.06</u>	<u>9.06</u>
Subtotal		70.49	<u>\$74.84</u>	66.55
<u>Costs Not Subject to Standards:</u>				
Utilities		2.55		2.55
Special Services		6.62		6.62
Medical Supplies & Oxygen		4.78		4.78
Taxes and Insurance		.75		.75
Legal Fees		<u>.02</u>		<u>.02</u>
<b>TOTAL</b>		<u>\$85.21</u>		81.27
Inflation Factor (4.40%)				3.58
Cost of Capital				7.54
Cost of Capital Limitation				(3.00)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Services and Dietary				4.60
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.85)
Minimum Wage Add-On				<u>.50</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$91.64</u>

**NEW ELLENTON NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods January 27, 1997 Through July 31, 1997  
AC# 3-NUL-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$246,283	\$ 722 (1) 117 (1) 4,014 (2) 228 (2)	\$ -	\$251,364
Dietary	58,364	656 (1) 595 (2)	-	59,615
Laundry	13,673	46 (1) 195 (2)	-	13,914
Housekeeping	25,270	108 (1) 395 (2)	-	25,773
Maintenance	7,183	176 (1) 135 (2)	-	7,494
Administration & Medical Records	79,865	490 (1) 171 (1) 384 (2) 85 (2)	-	80,995
Utilities	15,367	496 (1)	-	15,863
Special Services	54,721	2,622 (1)	5,641 (3) 12,229 (5)	39,473
Medical Supplies & Oxygen	28,499	4,376 (1) 44 (2) 14 (5)	3,555 (3)	29,378
Taxes and Insurance	4,559	99 (1)	-	4,658
Legal Fees	102	-	-	102
Cost of Capital	44,887	49 (1) 755 (7)	-	45,691
Subtotal	578,773	16,972	21,425	574,320
Ancillary	23,027	526 (1)	-	23,553

**NEW ELLENTON NURSING CENTER, INC.**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1997  
 For the Contract Periods January 27, 1997 Through July 31, 1997  
 AC# 3-NUL-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u> <u>Credit</u>	<u>Adjusted Totals</u>
Non-Allowable	154,340	28 (1) 9,196 (3) <u>12,215 (5)</u>	755 (7)  <u>          </u>
	<u>          </u>		<u>          </u>
Total Operating Expenses	\$ <u>756,140</u>	\$ <u>38,937</u>	\$ <u>22,180</u>
			\$ <u>772,897</u>
Total Patient Days	<u>5,856</u>	<u>116 (9)</u>	<u>          </u>
			<u>5,972</u>
Total Beds	<u>26</u>		

**NEW ELLENTON NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Period August 1, 1997 Through September 30, 1997  
AC# 3-NUL-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$246,283	\$ 722 (1) 117 (1) 4,014 (2) 228 (2)	\$ -	\$251,364
Dietary	58,364	656 (1) 595 (2)	-	59,615
Laundry	13,673	46 (1) 195 (2)	- -	13,914
Housekeeping	25,270	108 (1) 395 (2)	-	25,773
Maintenance	7,183	176 (1) 135 (2)	-	7,494
Administration & Medical Records	79,865	490 (1) 171 (1) 384 (2) 85 (2)	-	80,995
Utilities	15,367	496 (1)	-	15,863
Special Services	57,030	2,622 (1)	5,699 (4) 12,745 (6)	41,208
Medical Supplies & Oxygen	28,628	4,376 (1) 44 (2) 15 (6)	3,313 (4)	29,750
Taxes and Insurance	4,559	99 (1)	-	4,658
Legal Fees	102	-	-	102
Cost of Capital	44,887	49 (1) 755 (7)	-	45,691
Subtotal	581,211	16,973	21,757	576,427
Ancillary	23,027	526 (1)	-	23,553



**NEW ELLENTON NURSING CENTER, INC.**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended September 30, 1997

For the Contract Period August 1, 1997 through September 30, 1997

AC# 3-NUL-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	151,902	28 (1)	755 (7)	172,917
		9,012 (4)		
	<u>          </u>	<u>12,730</u> (6)	<u>          </u>	<u>          </u>
 Total Operating Expenses	 \$ <u>756,140</u>	 \$ <u>39,269</u>	 \$ <u>22,512</u>	 \$ <u>772,897</u>
 Total Patient Days	 <u>6,103</u>	 <u>126</u> (10)	 <u>-</u>	 <u>6,229</u>
 Total Beds	 <u>26</u>			

**NEW ELLENTON NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods October 1, 1997 through July 7, 1998  
AC# 3-NUL-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$246,283	\$ 722 (1) 117 (1) 4,014 (2) 228 (2)	\$ -	\$251,364
Dietary	58,364	656 (1) 595 (2)	-	59,615
Laundry	13,673	46 (1) 195 (2)	-	13,914
Housekeeping	25,270	108 (1) 395 (2)	-	25,773
Maintenance	7,183	176 (1) 135 (2)	-	7,494
Administration & Medical Records	79,865	490 (1) 171 (1) 384 (2) 85 (2)	-	80,995
Utilities	15,367	496 (1)	-	15,863
Special Services	57,030	2,622 (1)	5,699 (4) 12,745 (6)	41,208
Medical Supplies & Oxygen	28,628	4,376 (1) 44 (2) 15 (6)	3,313 (4)	29,750
Taxes and Insurance	4,559	99 (1)	-	4,658
Legal Fees	102	-	-	102
Cost of Capital	46,050	49 (1) 884 (8)	-	46,983
Subtotal	582,374	17,102	21,757	577,719
Ancillary	23,027	526 (1)	-	23,553

**NEW ELLENTON NURSING CENTER, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods October 1, 1997 through July 7, 1998  
AC# 3-NUL-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	150,739	28 (1)	884 (8)	171,625
		9,012 (4)		
	<u>          </u>	<u>12,730</u> (6)	<u>          </u>	<u>          </u>
 Total Operating Expenses	 \$ <u>756,140</u>	 \$ <u>39,398</u>	 \$ <u>22,641</u>	 \$ <u>772,897</u>
 Total Patient Days	 <u>6,103</u>	 <u>126</u> (10)	 <u>-</u>	 <u>6,229</u>
 Total Beds	 <u>26</u>			

**NEW ELLENTON NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-NUL-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Nursing	\$ 722	
	Restorative	117	
	Dietary	656	
	Laundry	46	
	Housekeeping	108	
	Maintenance	176	
	Administration	490	
	Medical Records	171	
	Utilities	496	
	Taxes & Insurance	99	
	Medical Supplies	4,376	
	Special Services	2,622	
	Cost of Capital	49	
	Ancillary	526	
	Nonallowable	28	
	Other Equity		\$10,682
	To add January 1997 costs for non-salary accounts HIM-15-1, Section 2302.1		
2	Nursing	4,014	
	Restorative	228	
	Dietary	595	
	Laundry	195	
	Housekeeping	395	
	Maintenance	135	
	Administration	384	
	Medical Records	85	
	Medical Supplies	44	
	Other Equity		6,075
	To charge salaries applicable to the current period HIM-15-1, Section 2102.1		
3	Nonallowable	9,196	
	Medical Supplies		3,555
	Special Services		5,641
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/27/97 - 7/31/97)		

**NEW ELLENTON NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-NUL-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	9,012	
	Medical Supplies		3,313
	Special Services		5,699
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 8/1/97 - 7/7/98)		
5	Nonallowable	12,215	
	Medical Supplies	14	
	Special Services		12,229
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/27/97 - 7/31/97)		
6	Nonallowable	12,730	
	Medical Supplies	15	
	Special Services		12,745
	To adjust co-insurance for Medicare Part B services State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 8/1/97 - 7/7/98)		
7	Cost of Capital	755	
	Nonallowable		755
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 1/27/97 - 9/30/97)		

**NEW ELLENTON NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-NUL-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
8	Cost of Capital Nonallowable	884	884
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/97 - 7/7/98)		
9	<u>Memo Adjustment</u> To increase patient days by 116 to 5,972		
	(This adjustment applies only to the rate periods 1/27/97 - 7/31/97)		
10	<u>Memo Adjustment</u> To increase patient days by 126 to 6,229		
	(This adjustment applies only to the rate periods 8/1/97 - 7/7/98)		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u>61,578</u>	\$ <u>61,578</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**NEW ELLENTON NURSING CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1997  
 For the Contract Periods January 27, 1997 Through July 31, 1997  
 AC# 3-NUL-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>26</u>
Deemed Asset Value	831,298
Improvements Since 1981	78,406
Accumulated Depreciation at 9/30/97	( <u>122,240</u> )
Deemed Depreciated Value	787,464
Market Rate of Return	<u>.070</u>
Total Annual Return	55,122
Number of Days in Period	<u>247/365</u>
Adjusted Annual Return	37,302
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	37,302
Depreciation Expense	750
Amortization Expense	7,640
Capital Related Income Offsets	(1)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	45,691
Total Patient Days (Actual)	<u>5,972</u>
Cost of Capital Per Diem	\$ <u><u>7.65</u></u>

**NEW ELLENTON NURSING CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods January 27, 1997 Through July 31, 1997  
AC# 3-NUL-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ .55
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.54</u>
Reimbursable Cost of Capital Per Diem	\$ 4.54
Cost of Capital Per Diem	<u>7.65</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.11)</u>



**NEW ELLENTON NURSING CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1997  
 For the Contract Period August 1, 1997 Through September 30, 1997  
 AC# 3-NUL-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>26</u>
Deemed Asset Value	831,298
Improvements Since 1981	78,406
Accumulated Depreciation at 9/30/97	( <u>122,240</u> )
Deemed Depreciated Value	787,464
Market Rate of Return	<u>.070</u>
Total Annual Return	55,122
Number of Days in Period	<u>247/365</u>
Adjusted Annual Return	37,302
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	37,302
Depreciation Expense	750
Amortization Expense	7,640
Capital Related Income Offsets	(1)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	45,691
Total Patient Days (Minimum 97% Occupancy)	<u>6,229</u>
Cost of Capital Per Diem	<u>\$ 7.34</u>

**NEW ELLENTON NURSING CENTER, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended September 30, 1997

For the Contract Period August 1, 1997 Through September 30, 1997

AC# 3-NUL-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ .55
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.54</u>
Reimbursable Cost of Capital Per Diem	\$ 4.54
Cost of Capital Per Diem	<u>7.34</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.80)</u>

**NEW ELLENTON NURSING CENTER, INC.**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended September 30, 1997  
 For the Contract Periods October 1, 1997 Through July 7, 1998  
 AC# 3-NUL-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>26</u>
Deemed Asset Value	858,572
Improvements Since 1981	78,406
Accumulated Depreciation at 9/30/97	( <u>122,240</u> )
Deemed Depreciated Value	814,738
Market Rate of Return	<u>.070</u>
Total Annual Return	57,032
Number of Days in Period	<u>247/365</u>
Adjusted Annual Return	38,594
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	38,594
Depreciation Expense	750
Amortization Expense	7,640
Capital Related Income Offsets	(1)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	46,983
Total Patient Days (Minimum 97% Occupancy)	<u>6,229</u>
Cost of Capital Per Diem	<u>\$ 7.54</u>

**NEW ELLENTON NURSING CENTER, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
For the Contract Periods October 1, 1997 Through July 7, 1998  
AC# 3-NUL-J7

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ .55
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>4.54</u>
Reimbursable Cost of Capital Per Diem	\$ 4.54
Cost of Capital Per Diem	<u>7.54</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.00)</u>